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## Nigeria

### Product Brief

## Fruit Juice/Fruit Juice Concentrate Market 2004

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**Report Highlights:**

AgOffice estimates the fruit juice concentrate and premix market at US\$50 million. Domestic fruit juice production has grown over the last year (270 million liters) stimulated by the ban on fruit juice (consumer pack) as well as a lower tariff on fruit juice concentrate.

U.S. exporters have an excellent opportunity to enter this market as the value of the dollar is weak and Nigerian manufacturers are keen at being introduced to U.S. suppliers. The key concentrates desired are orange, pineapple, apple, berry, and mango.

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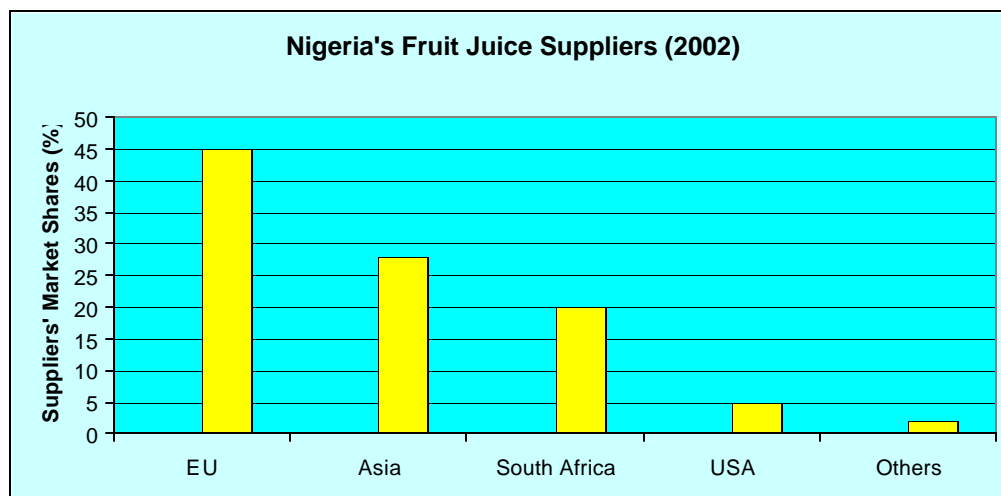
Includes PSD Changes: No  
Includes Trade Matrix: No  
Unscheduled Report  
Lagos [NI1]  
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**Table of Contents**

Market Overview.....	3
Advantages & Challenges .....	5
Market Sector Opportunities And Threats.....	6
Costs And Prices.....	9
Market Access.....	9
Post Contact And Further Information.....	10
Appendix: Table Annual Indicators of Nigeria's Economic Structure.....	11

## SECTION I. MARKET OVERVIEW

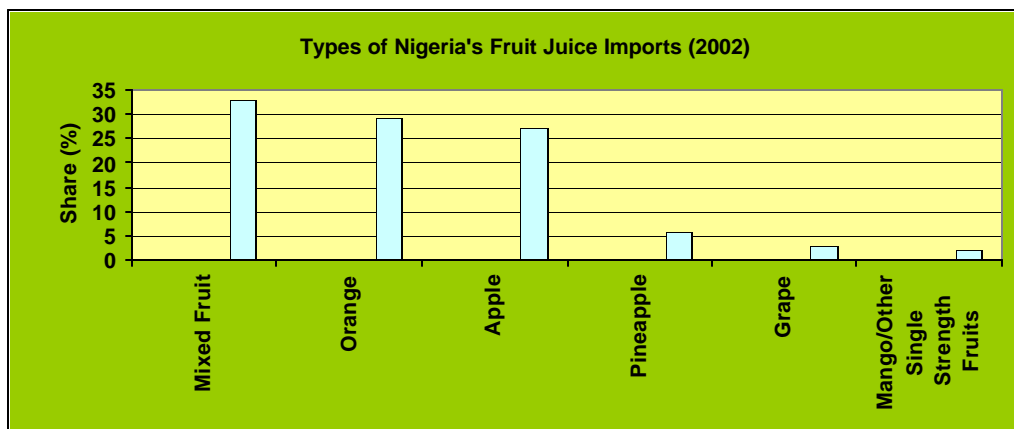
- ❑ According to industry sources, 80 percent of market demand was met by imports, prior to the ban on consumer pack fruit juice products in late 2002.
- ❑ Industry sources alleged that the value of fruit juice imports in 2002 was as high as \$250 million.
- ❑ The EU, Asia, South Africa as well as the United States were the major suppliers of fruit juice as illustrated in the chart below:



Source: Industry Estimate

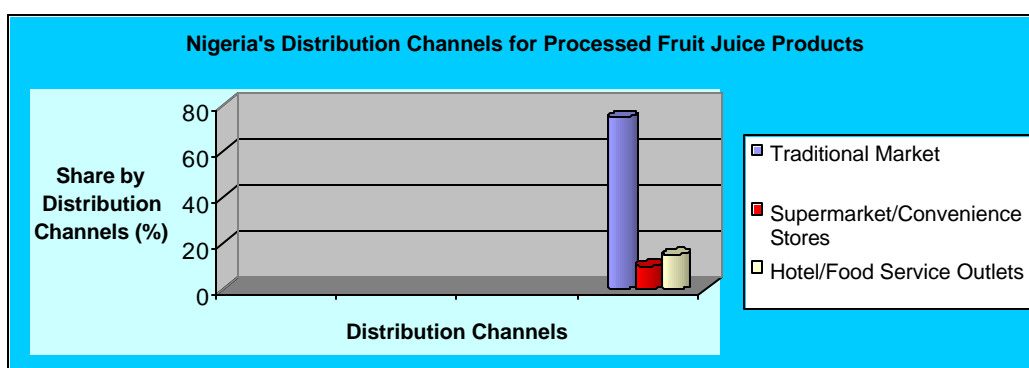
- ❑ Fruit juice products in Tetra Pak are preferred to other packaged drinks. Domestic fruit juice canning is presently non-existent.
- ❑ About 90 percent of fruit juice drinks are packaged in Tetra Pack/flexible bags. Others are packaged in pet bottles (Industry sources).
- ❑ Fruit juice production (Tetra Pack/flexible bags) is expected to reach 270 million liters by the end of 2004.
- ❑ Nigeria's fruit juice products are mainly made from fruit juice concentrate at application ratios ranging from five to 100 percent.
- ❑ Fruit juice products are classified into different categories depending on their fruit juice contents— Fruit Drink (five percent), Juice Drink (10 percent), Nectar (30-50 percent) and Fruit Juice (70-100 percent).
- ❑ Packaging is largely in one-liter and 250 ml "Tetra Pak" (TBA/8 and 'TBA/3) packs and flexible packs ranging 50 centiliters (cl), 33 cl and 25 cl. Consumer pack fruit juice products from Asia were mostly packed in cans.
- ❑ Consumption of instant fruit juice products and flavors in dry powdered form packed in transparent plastic containers is becoming popular\_especially among children. However, its market share is insignificant.

- Orange, mixed fruit, grape, apple and mango/others (unfermented, not containing added spirit; H.S. Code #: 2009.1100-9000) were the major fruit juices imported into Nigeria in 2002 as indicated in the chart below:



Source: Industry/AgOffice

- About twenty million Nigerians (approximately 15 percent of the population) are the target market for fruit juice and juice drinks. According to the industry, these products are premium products, especially juice products with content over 40 percent.
- The wealthier households are still price sensitive. Sales for the more expensive products are highest around holidays. Consumers also purchase these products in large volume for special occasions such as wedding, birthday parties, etc. Some families purchase the smaller packs for daily lunches. The smaller packs (fruit drinks) are sold in many of the fast food outlets as well as on the domestic airlines. One manufacturer has an 85% of the airline market.
- Fruit juice products are distributed in Nigeria through the traditional/open markets (75 percent), supermarkets/convenience stores (10 percent) and hotels/food service outlets (15 percent) as illustrated in the chart below:



Source: Industry/AgOffice

- Sales through hotels and supermarkets are mostly to expatriates and high-income Nigerians.

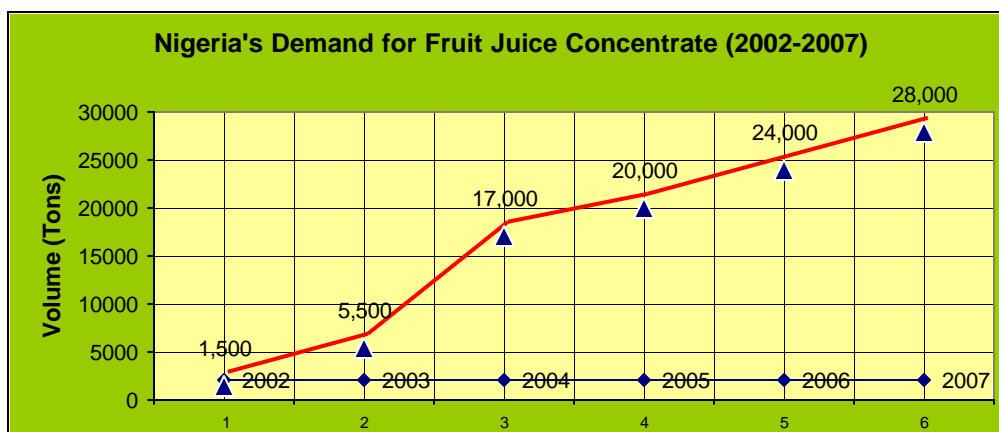
**Advantages and Challenges:**

Advantages	Challenges
The import ban on fruit juice in retail pack and reduction of duty on fruit juice concentrate from 100 percent to 10 percent	Average per capita income estimated at \$350.
A general local consumer perception of higher quality U.S. products.	Limited knowledge of the Nigerian market among the U.S. trade.
Fast food outlets feature fruit juice sometimes their own brand.	Negligible U.S. share of the total market despite a general local consumer perception of U.S. higher quality.
Nigeria's middle class albeit small continues to purchase juice for special occasions despite the increased price.	Higher U.S. freight rate and infrequent US-West Africa shipping routes.
These households are slowly beginning to drink juice at home as a more healthy alternative to other drinks.	Limited infrastructure, large capital requirement and unstable GON import policy.
Nigeria's local agriculture can only supply of limited fresh product.	Negative perceptions about Nigerian businesses among U.S. exporters and a reluctance to do business in Nigeria.

## SECTION II. MARKET SECTOR OPPORTUNITIES AND THREATS

### Imports and Distribution Pattern:

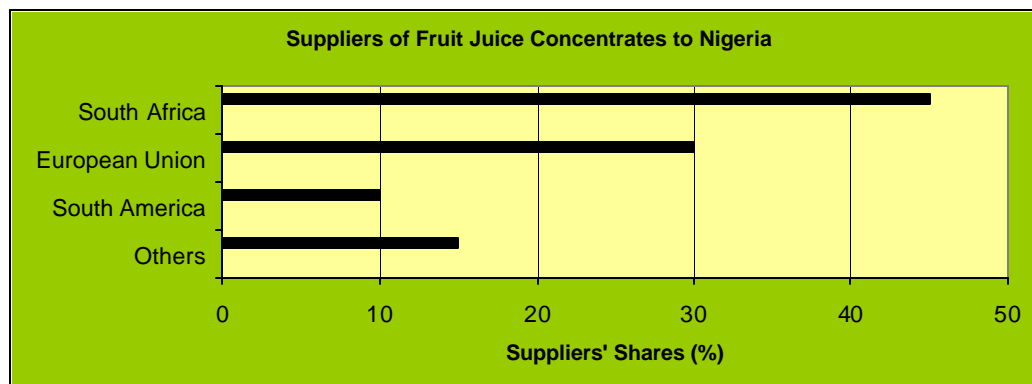
- ❑ Following the ban, market demand for consumer pack fruit juice imports is now mostly met by domestic products especially the fruit juice packed in Tetra Pak/flexible bags.
- ❑ The few large food-processing companies have developed or increased capacity for fruit juice production. Industry capacity utilization has grown from 12 percent to over 75 percent since the ban. New firms are also, reported to be investing in Tetra Pak fruit juice production lines.
- ❑ Small-scale manufacturers of fruit drink in pet bottles have increased their capacities since minimal investment is required for this type of facility. (These products are usually the fruit drink and juice drink categories with 5-12 percent fruit juice content and cost less than the "boxed" drinks)
- ❑ Fruit juice products consumption should increase as households become more familiar with the products on the market and begin to use the products at home more frequently.
- ❑ Demand for imported fruit juice concentrate has grown--is expected to reach 17,000 MT by the end of 2004 from 1,500 MT in 2002.
- ❑ The chart below illustrates demand estimates for fruit juice concentrate between 2002 and 2007:



Source: AgOffice Estimates

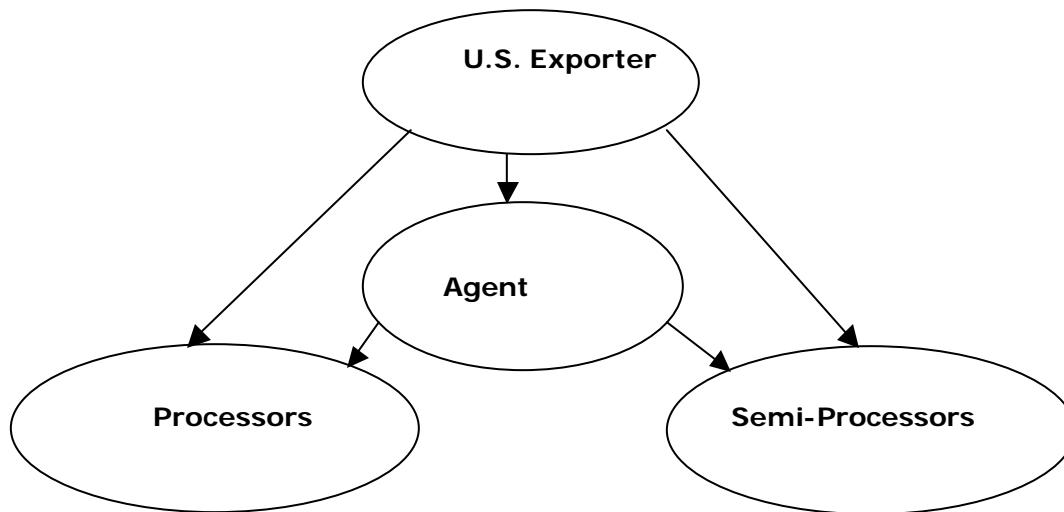
- ❑ Demand for fruit juice concentrate by local producers should continue to trend upward due to the following developments:
  - Two of the five major local fruit juice producers produce their own brands and also package different brands for other firms (Semi-Processors) on contract. This should help increase capacity utilization.
  - Refurbishment of fruit juice processing facilities.
  - Tetra Pak office in Nigeria assists investors in purchasing processing/packaging lines and in technical/material assistance.
  - Nigeria's urbanization growing at 3.5 percent per annum influencing local consumption style towards Western culture.

- Increasing consumer health awareness and the consumer perception that fruit juice products are more nutritious than other drinks.
  - Increasing consumer perception that local fruit juice products are fresher and meet higher food safety standard.
  - Nigeria's 40 percent export grant encourages increased local production for export.
- ❑ Nigeria's demand for fruit juice concentrate is met from suppliers in South Africa (45%), the EU (30%), South America (10%), Others including Asia, USA, other African countries (15%) as illustrated below:



Source: Industry Estimates

- ❑ Fruit juice concentrate in aseptic packs and pre-mixes are the most preferred by local fruit juice producers. [Frozen fruit juice concentrate is stored in cold storage facilities at temperature of not less than (-18) degrees Centigrade]
- ❑ The GON has announced it will rescind all bans in 2007--according to Economic Community of West African States (ECOWAS) agreement. Demand for fruit concentrate may level off in 2008 due to competition from imports if the agreement is carried out.

**Market Structure & Profiles:****Distribution Flowchart for Fruit Juice Concentrate in Nigeria**

- ❑ Processors may own their fruit juice processing lines or enter into contract packing arrangement with other processors who own full processing lines.
- ❑ Processors often source their concentrates directly from foreign suppliers but sometimes, they buy from agents who are local representatives of foreign suppliers. (Processors seldom source concentrate from competing local processors).
- ❑ Small processors package their own brands as well as undertake contract packing for other local firms that directly imports concentrate and own distribution facilities but do not own full range processing plants (Semi-Processors).
- ❑ The Semi-Processors often purchase and store their concentrate independently as well as supervise production of their brands at producers' plants.

**Entry Strategy:**

- ❑ New-to-market U.S. fruit juice concentrate exporters can enter the market through 1) processors with full-line processing plants, 2) semi-processors usually without full-line processing plant, and 3) agents.
- ❑ Entry through local processors and semi-processor or agents is necessary as GON's food and drug regulatory agent (NAFDAC) requires that "foreign manufacturers or exporters must be represented in Nigeria by a duly registered company or individual with the capacity to effect product recall, if necessary". Please, see Post's FAIRS report #NI4015 for further details.
- ❑ U.S. exporter should contact the Agricultural Attaché, American Consulate, and Lagos-Nigeria for assistance in finding an importer for their products.



**SECTION III. COSTS AND PRICES**

- ❑ FOB prices for frozen fruit juice concentrate and premix vary widely depending on product type, grade and application ratio. FOB prices for concentrate and premix range from approximately \$1,000-\$4,000 and \$6,000-\$12,000, respectively. Product samples and sales catalogues are helpful tools for price negotiation.
- ❑ One 20-foot container carries an average of 17 MT.

**Freight Cost Estimates for Fruit Juice Concentrates:**

United States	\$280/MT
South America (Brazil/Paraguay/Uruguay, etc)	\$290/MT
EU countries	\$265/MT
South Africa	\$207/MT

**Average Freight Rates per MT, November 2004****\*\*\* Industry sources**

- ❑ Average clearing, including 10 percent customs duty, port inspections charges and land haulage (to warehouse) costs for one 20' container is estimated at \$10,000 (Industry source).
- ❑ Average warehousing, processing and marketing/distribution costs for concentrate total \$6,160/MT.
- ❑ Average retail price is \$1.5 per liter pack.

**Distribution Channel Mark-ups (November 2004):**

	Processor	Wholesale Distributor	Retailer
% Average Mark-up on total cost processed fruit juice	15	8	25

**Industry sources****SECTION III. MARKET ACCESS****Regulations:**

- ❑ NAFDAC (Nigeria's food and drug regulatory agency) inspects and approves imported fruit juice concentrate prior to delivery to processor's or importers facilities for storage and processing. NAFDAC also, inspects the storage and processing of the concentrate and also issues approval for marketing and consumption of the processed fruit juice products. Please see Post's FAIRS report #: NI4015 for further details of NAFDAC's requirements.
- ❑ Fruit juice concentrate imports, like all products, are subject to a pre-shipment inspection by an appointed GON agent at the country of shipment. Swede Control/Intertek is GON's pre-shipment inspection agent for exports to Nigeria from the U.S. Also, see Post's FAIRS report #: NI4015 for further details.
- ❑ The tariff on imported fruit juice concentrate is 10 percent. The Nigerian Customs Service is GON's agency for import duty collection. Total tariff payable are assessed at 5 percent Value Added Tax (VAT) on CIF value plus (+) import duty (+) a port surcharge assessed at

7 percent of import duty (+) 1 percent of import duty (called Customs Service inspection charge).

**SECTION IV: POST CONTACT AND FURTHER INFORMATION:****1. Agricultural Affairs Office (USDA/FAS)**

American Consulate General  
#2, Walter Carrington Crescent  
Victoria Island, Lagos-Nigeria  
Tel/Fax: 234 -1 - 261-3926, 775-0830  
e-mail: - [aglagos@usda.gov](mailto:aglagos@usda.gov)  
Website: - <http://www.fas.usda.gov>

**2. National Agency for Food & Drug Administration & Control (HVP)**

Plot 1057, OFF Moshood Abiola Road  
By Oyo Road, Area 2  
Garki, Abuja-Nigeria  
Tel: 234-9-2346380-3  
Website: [www.NAFDAC.org](http://www.NAFDAC.org)

**3. Nigeria Customs Service**

Customs Headquarters  
3-7, Abidjan Street  
Off Sultan Abubakar Way  
Wuse Zone 3  
Garki-Abuja, Nigeria  
Tel: 234-9-5236394, 2534680  
Fax: 234-9-5236394, 5234690

## Appendix I

Nigeria's Economic Structure: Annual Indicators are tabulated below:

	1998*	1999*	2000**	2001**	2002**	2003
GDP at market prices (N bn)	2.8	3.2	4.2	4.5	4.9	5.8
GDP (US\$ bn)	33.2***	34.8***	41.4*	40.9	40.7	45**
Real GDP growth (%)	1.9	1.1	3.8*	3.8****	2.9	3.7^
Consumer price inflation (av; %)	10.0	6.6	6.9*	18.2	14.2	14.0^^
Population (m)	116.8**	120.1**	123.3	126.6	129.9	133.2*
Exports of goods fob (US \$ m)	10,114**	11,927*	21,395	17,949	17,256	N/A
Imports of goods fob (US\$ m)	9,276**	9,478**	11,068	12,303	13,650	N/A
Current account balance (US\$ m)	-3,085**	-1,755**	4,187	1,124	-1,225	N/A
Foreign exchange reserves excluding gold (US\$ m)	7,101	5,450	9,911*	10,457*	7,452	7,367^
Total external debt (US\$ bn)	30.3	29.2	29.2	28.8	29.7	30.9^
Debt service ratio, paid (%)	10.2**	7.3**	4.2	6.0	4.3	8.6**
Exchange rate (av.) N: US\$	85.25	92.34	101.70*	111.23*	120.79	135

- Actual. \*\* Economic Intelligence Unit estimates. \*\*\* Converted at the autonomous rate from 1995 to 1999. \*\*\*\* Official Estimates.
- N represents Naira (Nigeria's currency). Average Current Exchange Rate, N135:US\$ )
- **Source:** Economist Intelligence Unit, Country Report (Nigeria) -- December 2003.
- ^ = 2003 GON Budget Speech
- ^^ = Central Bank of Nigeria Economic Report, January 2004.